

8 December 1947

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**CIA-ORE**  
FAR EAST / PACIFIC BRANCH

Weekly Summary  
 1-8 December 1947

GENERAL

ECAPF CONFERENCE

United Nations Economic Commission for Asia and the Far East, meeting in Baguio since November 24, began serious consideration of Asia's needs after lengthy debate on seating the Siamese and Indonesian delegations. Although scated by the Commission, with the reservation that such acceptance did not imply recognition of the new Siamese regime, the Siamese delegation withdrew from the conference alleging that Siam had been slighted by issues raised in the prolonged discussions. The delegation of the Indonesian Republic also withdrew after the Commission postponed consideration of its status.

The absence of Siam from the conference, will, no doubt, decrease the chances for success of any solution to the food shortage problem existant in the Far East today because Siam is one of the major surplus rice areas capable of contributing to the alleviation of this problem.

Monnett Davis, Chief of the US Delegation, on December 3 presented a ten-point program, emphasizing increased production and more equitable distribution of foodstuffs, to implement ECAPF objectives. He remained non-committal on the question of US assistance and reportedly stated he believed Asian nations, could with proper assistance, pull themselves up with their own bootstraps to an extent not possible in Europe. This statement was in striking contrast with President Roxas' opening address calling for a "Marshall Plan" for Asia.

The Commission, on December 4, voted for a comprehensive survey of food supplies and agricultural resources of participating nations. The proposal calls for regional self-help and a freer exchange of commodities in the Far East.

FAR EASTERN COMINFORM

Highly questionable sources continue to report the formation of a Cominform in the Far East. Mosquito newspapers and news organs controlled by the right wing of the Chinese Kuomintang have stated that a meeting of the Far East Cominform has already been held, with the headquarters alternatively reported as Harbin, Vladivostok, and Khabarovsk. Most of these reports ascribe a leading role to the Chinese Communist Party. However, the US Embassy in Moscow has expressed the opinion that the Chinese Communist Party would not be likely to take the lead openly in organizing the Communist parties of the Far East until after complete consolidation of Chinese Communist control in Manchuria, still in the indefinite future. In any event, very little credence can be given to such reports until some solid confirmation is forthcoming.

Document No. 001  
 NO CHANGE in Class. ☐  
☒ DECLASSIFIED  
 Class. CHANGED TO: TS S C  
 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 17 FEB 1978 By: 011

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## NORTHERN DIVISION

JAPAN

(No contribution).

KOREA

(No contribution).

MILITARY

## CHINA DIVISION

Nationalist forces have made some local gains in the southern part of Manchuria, but military activity has been relatively quiet during the week in both Manchuria and North China. In the Shantung peninsula, however, the Chinese Communists have recovered almost all the points lost to the Nationalists in the offensive last autumn, with the exception of Chefoo and Laiyang.

According to press reports the Chinese Communist forces under Liu Po-cheng have launched a new offensive north of Hankow, but its aim and prospects of success cannot yet be determined.

A reshuffle of the Nationalist high command has been in progress for several weeks, but its final form is not yet clear. While Chen Cheng, the Chief of Staff, remains in command in Manchuria, a new headquarters at Kiukiang on the Yangtze has been set up under Lai Chung-hsi, Minister of National Defense, to cope with the new Communist threat in the Central China area, northeast of Hankow. Fu Tso-yi, has been placed in military command in North China as well as Inner Mongolia. Apparently Ku Chu-tung and Hu Tsung-nan are not affected in these changes, and retain their military commands over (1) eastern Tunghai Railway and Shantung province, and (2) Shensi province, respectively.

INTERNAL POLITICAL

Election results are still incomplete, with the delay in announcement of results making the postponement of election of the President of the Republic by the National Assembly likely. A quorum of delegates will probably not be assembled until about 15 January 1948.

General Fu Tsoyi, capable Nationalist Government general, has assumed his duties as commander in chief of the "North China Bandit Suppression Headquarters." His appointment comes on the heels of a "loyalty purge" conducted by secret police which undercut the power of the Governor of Hopei Province, Sun Lien-chung. Sun remains as governor but he has now surrendered most of his military power. Fu's ability to change the course of military events in North China, however, remains contingent upon a number of larger factors.

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BORDER REGIONS

The plebiscite regarding independence from China, held in Outer Mongolia in October 1945, pursuant to the Sino-Soviet Treaty, was extended to areas such as Hailar (Manchuria) and Feitashan (Sinkiang) beyond the usually accepted boundaries of Outer Mongolia. The Chinese delegation at Ulan Bator, following the instructions of Chiang Kai-shek, did not sign or certify the election results, but raised no objections at the time in order not to provoke an incident and thus risk accusation of violating the Yalta Agreement because of a minor piece of trickery. In making this revelation recently to the US Ambassador Nanking, the Chinese Vice Minister of Foreign Affairs said the National Government has merely acceded to a de facto situation and therefore reserves its rights vis-a-vis any districts outside the usually accepted boundaries of Outer Mongolia.

Whenever it suits Soviet purposed this plebiscite may provide a useful legal pretext for extending the frontiers of the Mongolian People's Republic at the expense of China. The National Government's emphasis on the Feitashan incident of last June is to be viewed against this background.

Sinkiang's boundary is also uncertain near the southwest extremity of the province where China, Afghanistan, the USSR and India meet. Some maps show that Sinkiang and Afghanistan touch, thus separating the USSR from India by a narrow strip of Chinese territory, but other maps show a gap of some 20 miles between China and Afghanistan. Indian Government circles believe that the latter represents the true state of affairs, and that, for this short distance at least, the USSR and Kashmir are contiguous. The whole question is somewhat academic, however for in this small area the Himalayas attain an altitude of more than 28,000 ft and constitute an almost impassable barrier between the USSR and India.

EXTERNAL POLITICAL

Significant events of the week in Chinese foreign relations include <sup>JP (1)</sup>China, in its reply to the Soviet proposal that a Four Power Conference be held in China to consider the Japanese Peace Treaty, reiterated its previous stand that the composition and voting procedure of the conference should follow those of the Far Eastern Commission. The Chinese Foreign Minister told Ambassador Stuart that the Conference could be held in China if the other ~~states~~ <sup>states</sup> agreed, but if not it should be in Washington. He further stated, in connection with the Japanese Peace Treaty, that the US did not appreciate the pressure on the Chinese Government exerted by Chinese public opinion which fears a resurgent Japan, or that brought to bear by the USSR.

(2) Chiang Kai-shek, in commenting on US policy in Japan, refuted the idea that the US is supporting the rebuilding of an aggressive Japan. This public statement is of considerable interest because of the numerous expressions by Chinese public opinion of the fear of a resurgent Japan under US policy.

(3) A Chinese delegate has been named to the six-nation working group of the UN Trusteeship Committee to make plans for the government of Jerusalem as an international city. At the same time, China was sounded out unofficially by the US about the possibility of a Chinese contribution to an international police force if one should be sent to Palestine, but there has been no response

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by the Nanking government. China had previously abstained in the General Assembly vote on the partition of the area.

(4) Victor Hoo, an assistant secretary-general of the UN, has been appointed as head of the Secretariat for the nine-nation Korean Independence Commission.

(5) China and the Netherlands signed an air agreement at Nanking on 5 Dec., providing for opening commercial air service between China and Dutch metropolitan and colonial territory.

(6) China and the US signed on 8 Dec. an agreement for the transfer of surplus naval vessels to the Chinese Government, as provided by Congressional Act of 16 July 1946.

ECONOMIC

Currency: To stem inflation the Executive Yuan is expected to impose new measures on a nation-wide scale. A top level economic authority, to be headed by GIM's son Chi-yang Ching-kuo, is reportedly being formed in an attempt to restrict bank loans, overdrafts, flow of idle capital, to extend rationing in large cities and curb illegal exchange transactions. The Central Bank's tight money policy, combined with news of drastic anti-inflation measures, put a temporary halt on prices and black market during the week. Commodity prices declined slightly after reaching a peak on 27 Nov. The black market exchange leveled off from a high of 150,000 on 28 Nov. to 133,000 on 6 Dec.

Foreign Trade: The Shanghai Customs has not relaxed its controls over uncensured imports sufficiently to induce importers concerned to sell to the Government on the Government's proposed deferred-payment plan. These impounded imports, reported to be in excess of US\$41 million, invoice cost, are principally industrial raw materials, and thus urgently needed by China. In the absence of a compromise Government payment plan, which is expected but not yet in sight, a majority of the importers are preparing to exercise their option to re-export the commodities out of China.

Exchange Assets: Another effort to induce the National Government to call in Chinese privately-held foreign exchange assets has reportedly been made, in the form of a National Economic Council proposal to nationalize gold bullion and foreign currencies. These private resources are conservatively estimated in the neighborhood of US\$500 million, with one third probably in China itself. However, obstacles to such a plan would be: (1) lack of support by influential wealthy Chinese, many of whom occupy key positions in the National Government, (2) lack of enforcement policy, and (3) lack of general voluntary response, as previously manifested. Nevertheless, the Government may eventually decide to adopt a nationalization plan as a last-resort measure. With sufficient pressure from Chiang Kai-shek himself, such a move might bring substantial sums into the Government's official reserves; even a token 10% (US\$50 million) would be beneficial. General enforcement is possible at least within China where such assets could be traced, and pressure brought to bear on "hold-outs."

Aviation: It is reported that Gen. Chennault may obtain a franchise for a regular commercial airline. This report, linked in some degree with the many economic development plans emanating from South China since T.V. Soong's assumption of the governorship of Kwangtung, reveals that this franchise was originally granted to a group of Chinese promoters for the Southwest Air Transport Corporation, but has not been used since the war.

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Taiwan Rice: Recent information indicates that rice production in Taiwan for 1947 will reach about 1.20 million metric tons which is about 90% of prewar on the local market.

## SOUTHERN DIVISION

PHILIPPINE ISLANDSROXAS'

Nearly complete returns of the Philippine general elections of 11 November indicate that the Liberal Party has increased its majority in the Senate and has retained its strength in the provinces. According to the latest official count, President Roxas' party has won seven of eight senatorial seats and thirty-seven of the forty-five provincial governorships on which returns are almost complete. However, nearly a month has passed since elections were held and the final official count of votes has not yet been released. Meanwhile coalesced minorities continue to charge the Liberal Party with election irregularities.

A possibly significant development stimulated by the elections is the disunity within the Liberal Party. It was noticeably apparent during the pre-election campaign when disagreement arose over various gubernatorial candidates. Since 11 November it has continued with Senate President Avelino and Secretary of Interior Zulueta leading opposing factions. Although the situation is not out of hand, it tends to have a weakening effect upon the party.

BURMA

A Chinese Ministry of Interior spokesman has recently announced that China intends to claim the undemarcated territory, between Yunnan Province and Burma bounded by Kungshan Pass, the Hukawng River, and the Patkai Range. He based the Chinese claim on the historical evidence that the area belonged to China a thousand years ago. This claim would be difficult to justify but nevertheless is somewhat ominous because a thousand years ago not only Burma but also several Western European countries as well were listed in Chinese chronicles as tributary dependents of China. The Burmese have often expressed the fear of Chinese domination and have been deeply concerned over this particular border problem. Agriculturally and industrially the area is not considered valuable, but may be rich in metals and gems. There have been several reports of Chinese infiltration into Burma, and the Chinese could undoubtedly move in and take control of the area with little or no resistance from the Burmese. The Chinese claim, however, is considered to be purely "for the record," for the time being at least, in order to pave the way for official negotiations shortly after the Burmese achieve independence.